

**REPORT OF THE AUDIT OF THE
TAYLOR COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2007**



Peercy and Gray, PSC
Certified Public Accountants
2300 Hursbourne Village Drive, Suite 500
Louisville, Kentucky 40299
Phone: (502) 493-1090
FAX: (502) 493-7231

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE TAYLOR COUNTY FISCAL COURT

June 30, 2007

Peercy and Gray, PSC has completed the audit of the Taylor County Fiscal Court for fiscal year ended June 30, 2007.

The combined financial statements of the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation (Hospital), a discretely presented component unit, and the Taylor County Airport Board (Airport), also a discretely presented component unit, have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Taylor County, Kentucky, uses to prepare its financial statements. As a result, we have issued a qualified opinion on the aggregate discretely presented component units.

We have issued an unqualified opinion on the governmental activities, each major fund, and aggregate remaining fund information financial statements of Taylor County, Kentucky.

Financial Condition:

The fiscal court had unrestricted net assets of \$1,457,163 in its governmental activities as of June 30, 2007, with total net assets of \$5,927,715. The fiscal court's discretely presented component units had net assets of \$41,479,120 (Hospital), and \$919,386 (Airport) as of June 30, 2007. The discretely presented component units had net cash and cash equivalents of \$12,289,154 (Hospital), and \$75,715 (Airport). The fiscal court had total debt principal as of June 30, 2007 of \$19,090,574 with \$76,308 due within the next year. The discretely presented component units had total debt principal as of June 30, 2007 of \$10,040,114 with \$610,066 due within the next year (Hospital). No debt is related to the Taylor County Airport Board (Airport).

Deposits:

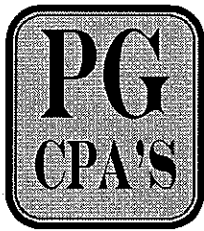
The fiscal court and component units' deposits were uninsured and uncollateralized by bank securities as follows:

- Primary Government-uninsured and unsecured-\$225,000
- Component Unit-uninsured and unsecured-\$2,087,445

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
TAYLOR COUNTY OFFICIALS.....	3
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS	13
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS.....	16
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	19
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	22
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS.....	25
NOTES TO FINANCIAL STATEMENTS	27
BUDGETARY COMPARISON SCHEDULES	47
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	49
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	51
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	54
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	57
COMMENT AND RECOMMENDATION	60
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



PEERCY AND GRAY, PSC

Certified Public Accountants

2300 Hurstbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Paul W. Patton, Former Taylor County Judge/Executive

Honorable Eddie Rogers, Taylor County Judge/Executive

Members of the Taylor County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Taylor County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Taylor County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the combined financial statements of the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation, a discretely presented component unit, which represents 98 percent of the assets and revenues of the aggregate discretely presented component opinion units. We also did not audit the financial statements of the Taylor County Airport Board, a discretely presented component unit, which represents 2 percent of the assets and revenues of the aggregate discretely presented component opinion units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Taylor County Hospital District, Taylor County Hospital District Health Facility Corporation, and Taylor County Airport Board, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

As described in Note 1, Taylor County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial statements of Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation, and the Taylor County Airport Board, discretely presented component units of the Taylor County Fiscal Court, are presented in accordance with the accrual basis of accounting and therefore include certain accruals required by accounting principals generally accepted in the United States of America that are not presented in accordance with the modified cash basis. The amounts by which these accruals affect the financial statements are not reasonably determinable.

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Paul W. Patton, Former Taylor County Judge/Executive

Honorable Eddie Rogers, Taylor County Judge/Executive

Members of the Taylor County Fiscal Court

In our opinion, based on our report and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation's combined financial statements and the Taylor County Airport Board's financial statements been prepared using the same basis of accounting as Taylor County, Kentucky, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Taylor County, Kentucky, as of June 30, 2007, and the changes in financial position, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

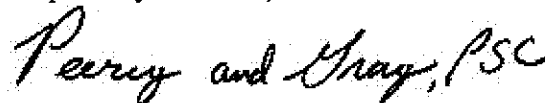
In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Taylor County, Kentucky, as of June 30, 2007, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Taylor County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated February 5, 2008, on our consideration of Taylor County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,



Percy and Gray, PSC
Certified Public Accountants

February 5, 2008

TAYLOR COUNTY OFFICIALS

For The Year Ended June 30, 2007

Fiscal Court Members:

Eddie Rogers	County Judge/Executive
Milford Lowe	Magistrate
John Gaines	Magistrate
Richard Philips	Magistrate
Dr. James Jones	Magistrate
Ed Gorin	Magistrate
Marshall Caulk	Magistrate

Other Elected Officials:

Craig Cox	County Attorney
Rick Benningfield	Jailer
Mark Carney	County Clerk
Rodney Burress	Circuit Court Clerk
John Shipp	Sheriff
Julie Shields	Property Valuation Administrator
Terry Dabney	Coroner

Appointed Personnel:

Melissa Williams	County Treasurer
------------------	------------------

Eddie Rogers
County Judge/Executive
judgeexec@taylorcounty.us

Magistrates:

James Jones - 1st Dist.
John D. Gaines - 2nd Dist.
Milford Lowe - 3rd Dist.



Melissa W. Williams
County Treasurer
tctreasurer@alltel.net

Magistrates:

Marshall Cauk - 4th Dist.
Edward R. Gorin - 5th Dist.
Richard A. Phillips - 6th Dist.

**OFFICE OF THE JUDGE/EXECUTIVE
TAYLOR COUNTY**
County Courthouse
203 N. Court St., Suite 4
Campbellsville, Kentucky 42718
270-465-7729 • Fax: 270-789-3675

**Management's Discussion and Analysis
June 30, 2007**

The financial management of Taylor County, Kentucky offers readers of Taylor County's financial statements this narrative overview and analysis of the financial activities of Taylor County for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights

- Taylor County had net assets of \$5,927,715 as of June 30, 2007. The fiscal court had unrestricted net assets of \$1,457,163 in governmental activities as of June 30, 2007. Total debt for governmental activities principal as of June 30, 2007 was \$19,090,574 with \$76,308 due within one year.
- The governmental activities total net assets increased by \$446,081 from the prior year. This increase is primarily due to construction in progress, and an increase in operating and capital grants and charges in services.
- At the close of the current fiscal year, Taylor County governmental funds reported current assets of \$15,498,069. Of this amount, \$1,457,163 is available for spending at the government's discretion (unreserved fund balance).
- Taylor County's total indebtedness at the close of fiscal year June 30, 2007 was \$19,090,574. Debt additions were \$20,050,000, and debt reductions were \$2,369,874 for a net increase of \$17,680,126 for the year. This increase was due to Taylor County's financing obligations for new construction of Judicial and Detention buildings during the fiscal year 2007.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Taylor County's basic financial statements. Taylor County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.



Equal Opportunity Employer MEND

**Taylor County
Management's Discussion and Analysis
June 30, 2007
(Continued)**

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Taylor County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on Taylor County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Taylor County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). Taylor County's governmental activities include general government, protection to persons and property, general health and sanitation, social services, recreation and culture, road facilities, roads, airports, and capital projects. Taylor County does not have a business type activity.

The government-wide financial statements include not only Taylor County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Taylor County has two such entities described as a major Discretely Presented Component Unit, which are the combined Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation and the Taylor County Airport Board.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Taylor County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements. All of the funds of Taylor County are *governmental funds*.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

**Taylor County
Management's Discussion and Analysis
June 30, 2007
(Continued)**

Governmental Funds (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Taylor County maintains (16) sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Major Funds:

- General Fund
- Road Fund
- Public Properties Capital Projects Fund
- Detention Center Capital Projects Fund
- Public Properties Debt Service Fund
- Detention Center Debt Service Fund

Non-major Funds:

- Jail Fund
- Local Government Economic Assistance Fund
- Forest Fire Fund
- PRIDE Fund
- Tebbs Bend Fund
- Kentucky Agency On Substance Abuse Prevention Fund
- Title V Grant Fund
- CDBG (Microenterprise) Fund
- Kentucky Cemetery Fund
- Kentucky Infrastructure Water Fund

Taylor County adopts an annual appropriated budget. A budgetary comparison statement has been provided for the General Fund and the Road Fund to demonstrate compliance with their budgets.

Discretely Presented Component Units

Component Units are operations for which the County has some financial accountability, but also have certain independent qualities as well. Component Units operate similarly to private sector businesses. Taylor County has two discretely presented component units. These two component units' financial information is included on the government-wide financial statements of the statement of net assets and the statement of activities in two separate columns.

**Taylor County
Management's Discussion and Analysis
June 30, 2007
(Continued)**

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Analysis of the County as a Whole

Net Assets As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

**Table 1
Taylor County's Net Assets**

	Governmental Activities	
	2006	2007
Assets		
Current and other assets	\$ 1,062,116	\$ 15,498,069
Capital assets	5,829,966	9,520,220
Total Assets	6,892,082	25,018,289
Liabilities		
Current and other liabilities	1,059,875	76,308
Long-term liabilities	350,573	19,014,266
Total Liabilities	1,410,448	19,090,574
Net Assets		
Invested in Capital Assets,		
Net of Related Debt	4,419,518	(9,570,354)
Restricted	2,020	14,040,906
Unrestricted	1,060,096	1,457,163
Total Net Assets	\$ 5,481,634	\$ 5,927,715

Changes in Net Assets *Governmental Activities.* Taylor County's net assets increased by \$446,081 in fiscal year 2007. Key elements of this are as follows:

- Current assets and cash increased \$14,435,953 due to unexpected intergovernmental and miscellaneous revenues, and unspent bond proceeds for the construction in progress of the Judicial Center and Detention Center.
- Capital assets increased \$3,690,254, primarily due to construction of new Judicial and Detention buildings.
- Investment in capital assets and infrastructure, net of related debt decreased by \$13,989,872 due to the unspent bond proceeds for the construction in progress.
- Current and long-term liabilities increased by \$17,680,126.

Taylor County
Management's Discussion and Analysis
June 30, 2007
(Continued)

Financial Analysis of the County as a Whole (Continued)

Statement of Activities As noted earlier this statement shows how the government's net assets changed during the year. Table 2 shows a comparison of the 2007 and 2006 figures.

Table 2
Taylor County Statement of Activities

	Governmental Activities	
	2006	2007
Program Revenues:		
Charges for Services	\$ 64,518	\$ 168,001
Operating Grants and Contributions	1,835,398	1,722,505
Capital Grants and Contributions	157,385	486,093
Total Program Revenues	2,057,301	2,376,599
General Revenues		
Taxes	4,214,795	4,228,180
Excess Fees	128,659	105,676
Unrestricted Investment Earnings	44,981	577,660
Miscellaneous Revenues	678,672	76,530
Total General Revenues	5,067,107	4,988,046
Total Revenues	7,124,408	7,364,645
Program Expenses:		
General Government	3,667,011	3,220,383
Protection to Persons and Property	1,310,374	1,097,716
General Health and Sanitation	305,282	321,825
Social Services	34,638	63,060
Recreation and Culture	138,381	167,335
Roads	861,537	691,884
Airports	79,848	75,422
Debt Service	44,448	547,239
Capital Projects	1,391	733,700
Total Expenses	6,442,910	6,918,564
Change in Net Assets	681,498	446,081
Net Assets-Beginning	4,800,136	5,481,634
Net Assets-Ending	\$ 5,481,634	\$ 5,927,715

As noted earlier, Taylor County uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements.

Governmental Funds Overview The focus of Taylor County governmental funds is to provide information on current inflows, outflows, and balances of spend able resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**Taylor County
Management's Discussion and Analysis
June 30, 2007
(Continued)**

Financial Analysis of the County's Funds (Continued)

Governmental Funds Overview (Continued)

As of the end of June 2007 fiscal year, the combined ending fund balances of County governmental funds were \$15,498,069. Approximately 6% (\$867,648) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$14,630,421) is reserved to indicate that it is not available for new spending because it is committed for the various funds and projects.

The County has (6) six major governmental, and (10) ten non-major funds.

Major Funds:

- General Fund
- Road Fund
- Public Properties Capital Projects Fund
- Detention Center Capital Projects Fund
- Public Properties Debt Service Fund
- Detention Center Debt Service Fund

Non-major Funds:

- Jail Fund
- Local Government Economic Assistance Fund
- Forest Fire Fund
- PRIDE Fund
- Tebbs Bend Fund
- Kentucky Agency On Substance Abuse Prevention Fund
- Title V Grant Fund
- CDBG (Microenterprise) Fund
- Kentucky Cemetery Fund
- Kentucky Infrastructure Water Fund

1. The General Fund is the chief operating fund of Taylor County. At the end of June 30, 2007 fiscal year, unreserved fund balance of the General Fund was \$867,648, while total fund balance was \$867,648. The County received \$4,500,803 in real property, motor vehicle, occupational, and other taxes for approximately 97% of the county's general revenues. Various other service fees and miscellaneous revenues contribute to the remaining 3% of revenues.
2. The Road Fund is the fund related to County road and bridge construction and maintenance. The Road Fund had a \$117,452 fund balance at June 30, 2007. The fiscal year 2007 expenditures for Road Fund were 1,395,494.
3. The Public Properties Capital Projects Fund has a fund balance of \$5,615,578 at June 30, 2007. The fund balance is reserved for the completion of the Judicial Center.
4. The Detention Center Capital Projects Fund has a fund balance of \$7,625,757 at June 30, 2007. The fund balance is reserved for the completion of the Detention Center.

**Taylor County
Management's Discussion and Analysis
June 30, 2007
(Continued)**

Financial Analysis of the County's Funds (Continued)

Governmental Funds Overview (Continued)

5. The Detention Center Debt Service Fund has a fund balance of \$486,858 at June 30, 2007. The fund balance is reserved for bond principal and interest payments for the Detention Center.
6. The Public Properties Debt Service Fund has a fund balance of \$312,713 at June 30, 2007. This fund balance is reserved for debt service for the Judicial Center.
7. The Jail Fund is used to account for transporting and housing prisoners in other counties. The Jail Fund had a fund balance of \$417,325 at the end of June 30, 2007. The General Fund contributed a total of \$908,449 to the Jail Fund during fiscal year 2007.
8. The Local Government Economic Assistance Fund had a fund balance of \$6,447 as of June 30, 2007, a decrease of \$1,505 over the previous fiscal year end.
9. The Forest Fire Fund had a fund balance of \$1,125 as of June 30, 2007, a increase of \$983 over the previous fiscal year end.
10. The PRIDE Fund had a reserved fund balance of \$7,803 as of June 30, 2007, a increase of \$7,803 over previous fiscal year end. This fund is used to account for a federal Personal Responsibility In a Desirable Environment Grant (PRIDE).
11. The Tebbs Bend Fund had a reserved fund balance of \$0 as of June 30, 2007. This fund is used to account for a state Kentucky Heritage Land Conservation Fund grant administered by the Kentucky Department of Natural Resources for the purpose of funding the Tebbs Bend Nature and Recreation Area in Taylor County.
12. The Kentucky Agency On Substance Abuse Prevention Fund (ASAP) had a fund balance of \$19,363 as of June 30, 2007, a decrease of \$14,449 over the previous fiscal year end.
13. The Title V Grant Fund had a reserved fund balance of \$0 as of June 30, 2007. This fund is used to account for a federal Title V Juvenile Delinquency Prevention Program grant.
14. The CDBG (Microenterprise) Fund had a fund balance of \$0. This fund is used to account for Taylor Counties Microenterprise Training Program.
15. The Kentucky Cemetery Grant Fund had a fund balance of \$20,000, a increase of \$5,850 over previous fiscal year end. This fund is used to account for the Kentucky Cemetery Preservation Program.
16. The Kentucky Infrastructure Water Grant Fund had a fund balance of \$0. This fund is used for developing sewer lines for the new industrial park area.

General Fund Budgetary Highlights.

Taylor County's General Fund budget was amended during the fiscal year increasing the budgeted amount by \$414,462. Budget amendments were made to various revenues and expenditures due to intergovernmental revenues, taxes and interest, miscellaneous revenue, and surplus cash carried forward.

**Taylor County
Management's Discussion and Analysis
June 30, 2007
(Continued)**

Financial Analysis of the County's Funds (Continued)

Capital Assets and Debt Administration

Capital Assets. Taylor County's investment in capital assets for its governmental activities as of June 30, 2007, amount to \$9,520,220 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, other equipment, vehicles and equipment, infrastructure (roads and bridges).

Taylor County began construction of the new Judicial Center and the new Detention Center during the 2007 fiscal year.

Additional information on the County's capital assets can be found in Note 3 of this report.

**Table 3
Taylor County's Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities	
	2006	2007
Infrastructure Assets	\$ 875,703	\$1,081,788
Land	2,249,345	3,017,141
Construction in Progress	21,910	2,792,768
Buildings	1,624,350	1,601,979
Other Equipment	482,863	472,486
Vehicles & Equipment	575,795	554,058
Total Net Capital Assets	\$ 5,829,966	\$9,520,220

Long-Term Debt. At the end of the 2007 fiscal year, Taylor County had total debt outstanding of \$19,090,574, which consists of seven other financing obligations for various equipment, vehicles and land, and a bond anticipation note for the construction of the Judicial Center and general obligation bonds for the construction of the Detention Center. Additional information on the County's long-term debt can be found in Note 5 of this report.

Other Matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2007 fiscal year budget:

- The 2008 fiscal year adopted budget continues most services at current levels.
- Program cuts at the State level, particularly relating to the cost of housing prisoners, may have a negative impact on funding for county programs.
- Economic factors indicate continued growth for Taylor County.

Requests For Information

This financial report is designed to provide a general overview of Taylor County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Taylor County Treasurer, 203 N. Court Street, Suite 10, Campbellsville, Kentucky 42718.

TAYLOR COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

TAYLOR COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

	Primary Government	Component Unit	Component Unit
	Governmental Activities	Taylor County Hospital District/Health Facility Corporation	Taylor County Airport Board
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 15,498,069	\$ 12,289,154	\$ 75,715
Investment in JHHN Regional Service Center		460,345	
Accounts Receivable		8,399,135	489
Supplies and Inventory		816,668	26,497
Prepaid Expenses and Other Assets		2,328,226	
Total Current Assets	<u>\$ 15,498,069</u>	<u>\$ 24,293,528</u>	<u>\$ 102,701</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	\$ 3,017,141	\$ 464,552	\$ 13,000
Construction In Progress	2,792,768	1,020,050	402,758
Buildings and Improvements	1,601,979	24,211,039	391,829
Other Equipment	472,486	6,177,815	22,817
Vehicles and Equipment	554,058		
Infrastructure Assets - Net of Depreciation	1,081,788		
Total Noncurrent Assets	<u>9,520,220</u>	<u>31,873,456</u>	<u>830,404</u>
Total Assets	<u>\$ 25,018,289</u>	<u>\$ 56,166,984</u>	<u>\$ 933,105</u>
LIABILITIES			
Current Liabilities:			
Financing Obligations Payable	\$ 76,308	\$	\$
Accounts Payable		2,286,251	13,719
Accrued Payroll Payable		757,859	
Accrued Compensated Absences		1,053,456	
Hospital Current Portion of Long Term Obligations Payable		610,066	
Total Current Liabilities	<u>\$ 76,308</u>	<u>\$ 4,707,632</u>	<u>\$ 13,719</u>
Noncurrent Liabilities:			
Financing Obligations Payable	\$ 274,266	\$	\$
Bonds Payable	11,000,000		
Bond Anticipation Note Payable	7,740,000		
Hospital Long Term Obligations Payable		9,430,048	
Total Noncurrent Liabilities	<u>19,014,266</u>	<u>9,430,048</u>	
Total Liabilities	<u>\$ 19,090,574</u>	<u>\$ 14,137,680</u>	<u>\$ 13,719</u>

The accompanying notes are an integral part of the financial statements.

TAYLOR COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
June 30, 2007
(Continued)

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Component Unit</u>
		Taylor County Hospital District/Health Facility Corporation	Taylor County Airport Board
	<u>Governmental Activities</u>		
Minority Interest		\$ 550,184	
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	\$ (9,570,354)	\$ 21,833,342	\$ 830,404
Restricted For:			
Debt Service	799,571		
Capital Projects	13,241,335		
Investment in JHHN Regional Service Center		460,345	
Hospital Depreciation Reserve		9,065,313	
Hospital Retirement Funds and Unemployment Compensation		271,621	
Unrestricted	1,457,163	9,848,499	88,982
Total Net Assets	<u>\$ 5,927,715</u>	<u>\$ 41,479,120</u>	<u>\$ 919,386</u>

The accompanying notes are an integral part of the financial statements.

TAYLOR COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

TAYLOR COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

Functions/Programs Reporting Entity	Program Revenues Received			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 3,220,383	\$ 34,801	\$ 137,146	\$ 30,781
Protection to Persons and Property	1,097,716		137,076	4,671
General Health and Sanitation	321,825		172	1,000
Social Services	63,060		38,153	
Recreation and Culture	167,335		16,957	
Road Facilities	28,773			
Roads	663,111	133,200	1,393,001	
Airports	75,422			
Capital Projects	733,700			449,641
Debt Service	547,239			
Total Governmental Activities	6,918,564	168,001	1,722,505	486,093
Total Primary Government	\$ 6,918,564	\$ 168,001	\$ 1,722,505	\$ 486,093
Component Units:				
Taylor County Hospital District/Health Facility Corp.	\$ 49,435,999	\$ 50,048,378	\$	\$
Taylor County Airport Board	157,864	101,487		399,007
Total Component Units	\$ 49,593,863	\$ 50,149,865	\$ 0	\$ 399,007
General Revenues:				
Taxes:				
Real Property Taxes				
Motor Vehicle Taxes				
Occupational Taxes				
Ad valorem Taxes				
Other Taxes				
Excess Fees				
Unrestricted Investment Earnings				
Equity Gains of JHHN Regional Service Center				
Contributions for Capital Equipment				
Miscellaneous Revenues				
Total General Revenues				
Change in Net Assets				
Net Assets - Beginning (Restated)				
Net Assets - Ending				

The accompanying notes are an integral part of the financial statements.

TAYLOR COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government	Component Unit	Component Unit
	Taylor County Hospital District/Health Facility Corporation	Taylor County Airport Board
(3,017,655)		
(955,969)		
(320,653)		
(24,907)		
(150,378)		
(28,773)		
863,090		
(75,422)		
(284,059)		
(547,239)		
<u>(4,541,965)</u>		
<u>(4,541,965)</u>		
	\$ 612,379	\$ 342,630
696,806		
119,248		
2,952,997		
6,688	919,488	
452,441		
105,676		
577,660	550,244	2,042
	70,904	
	105,302	
<u>76,530</u>	<u>86,319</u>	<u>34,643</u>
<u>4,988,046</u>	<u>1,732,257</u>	<u>36,685</u>
446,081	2,344,636	379,315
<u>5,481,634</u>	<u>39,134,484</u>	<u>540,071</u>
<u>\$ 5,927,715</u>	<u>\$ 41,479,120</u>	<u>\$ 919,386</u>

The accompanying notes are an integral part of the financial statements.

TAYLOR COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

TAYLOR COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

	General Fund	Road Fund	Capital Projects Fund Public Properties	Detention Center
ASSETS				
Cash and Cash Equivalents	\$ 867,648	\$ 117,452	\$ 5,615,578	\$ 7,625,757
Total Assets	<u>\$ 867,648</u>	<u>\$ 117,452</u>	<u>\$ 5,615,578</u>	<u>\$ 7,625,757</u>
FUND BALANCES				
Unreserved:				
General Fund	\$ 867,648	\$	\$	\$
Special Revenue Funds		117,452		
Reserved for:				
Capital projects			5,615,578	7,625,757
Debt Service				
Total Fund Balances	<u>\$ 867,648</u>	<u>\$ 117,452</u>	<u>\$ 5,615,578</u>	<u>\$ 7,625,757</u>

Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets

Total Fund Balances

Amounts Reported For Governmental Activities In The Statement

Of Net Assets Are Different Because:

Capital Assets Used in Governmental Activities Are Not Financial Resources

And Therefore Are Not Reported in the Funds.

Accumulated Depreciation

Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.

Bond Anticipation Note

Financing Obligations

Bonds Payable

Net Assets Of Governmental Activities

TAYLOR COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2007
(Continued)

Debt Service Fund		Non-Major	Total
Public	Detention	Governmental	Governmental
Properties	Center	Funds	Funds
\$ 312,713	\$ 486,858	\$ 472,063	\$ 15,498,069
<u>\$ 312,713</u>	<u>\$ 486,858</u>	<u>\$ 472,063</u>	<u>\$ 15,498,069</u>
\$	\$	\$	\$
		472,063	867,648
			589,515
			13,241,335
312,713	486,858		799,571
<u>312,713</u>	<u>486,858</u>	<u>472,063</u>	<u>15,498,069</u>
			\$ 15,498,069
			10,975,909
			(1,455,689)
			(7,740,000)
			(350,574)
			<u>(11,000,000)</u>
			<u>\$ 5,927,715</u>

The accompanying notes are an integral part of the financial statements.

TAYLOR COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

TAYLOR COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	General Fund	Road Fund	Capital Projects Fund	
			Public Properties	Detention Center
REVENUES				
Taxes	\$ 4,098,229	\$	\$	\$
In Lieu Tax Payments	23,670			
Excess Fees	105,676			
Licenses and Permits	105,301			
Intergovernmental	167,927	1,362,219		
Charges for Services	34,801	133,200		
Miscellaneous	75,990	540		
Interest	31,746	15,655	346,323	125,951
Total Revenues	<u>4,643,340</u>	<u>1,511,614</u>	<u>346,323</u>	<u>125,951</u>
EXPENDITURES				
General Government	1,053,940	14,795		
Protection to Persons and Property	378,849			
General Health and Sanitation	285,525	22,521		
Social Services	12,200			
Recreation and Culture	133,386			
Road Facilities		28,773		
Roads		822,061		
Airports	64,779			
Debt Service	47,790	75,912	101,885	53,612
Capital Projects	23,669	254,728	1,551,204	2,126,204
Administration	1,822,040	176,704		
Total Expenditures	<u>3,822,178</u>	<u>1,395,494</u>	<u>1,653,089</u>	<u>2,179,816</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>821,162</u>	<u>116,120</u>	<u>(1,306,766)</u>	<u>(2,053,865)</u>
Other Financing Sources (Uses)				
Land Sale Proceeds				
Financing Obligation Proceeds				
Transfers From Other Funds	200,000	200,000	7,157,311	10,454,946
Transfers To Other Funds	(1,108,449)	(200,000)	(234,967)	(775,324)
Total Other Financing Sources (Uses)	<u>(908,449)</u>		<u>6,922,344</u>	<u>9,679,622</u>
Net Change in Fund Balances	(87,287)	116,120	5,615,578	7,625,757
Fund Balances - Beginning	954,935	1,332		
Fund Balances - Ending	<u>\$ 867,648</u>	<u>\$ 117,452</u>	<u>\$ 5,615,578</u>	<u>\$ 7,625,757</u>

The accompanying notes are an integral part of the financial statements.

TAYLOR COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Debt Service Fund		Non-Major Governmental Funds	Total Governmental Funds
Public Properties	Detention Center		
\$	\$	\$ 980	\$ 4,099,209
			23,670
			105,676
			105,301
		678,452	2,208,598
			168,001
			76,530
46,351	7,007	4,627	577,660
46,351	7,007	684,059	7,364,645
			1,068,735
		829,873	1,208,722
		9,154	317,200
		48,772	60,972
		30,782	164,168
			28,773
			822,061
			64,779
252,317	2,349,679	35,918	2,917,113
		516,549	4,472,354
64,010	102,287	13,774	2,178,815
316,327	2,451,966	1,484,822	13,303,692
(269,976)	(2,444,959)	(800,763)	(5,939,047)
		325,000	325,000
7,740,000	12,310,000		20,050,000
	865,324	931,977	19,809,558
(7,157,311)	(10,243,507)	(90,000)	(19,809,558)
582,689	2,931,817	1,166,977	20,375,000
312,713	486,858	366,214	14,435,953
		105,849	1,062,116
\$ 312,713	\$ 486,858	\$ 472,063	\$ 15,498,069

The accompanying notes are an integral part of the financial statements.

**TAYLOR COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2007

TAYLOR COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ 14,435,953
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlay	1,316,113
Construction in Progress	2,770,858
Depreciation Expense	(179,031)
Book Value of Disposed Assets	(217,686)
The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. These transactions however, have no effect on net assets.	
Bond Anticipation Notes	(9,050,000)
General Obligation Bonds	(11,000,000)
Financing Obligations Principal Payments	1,059,874
Bond Anticipation Note Payments	1,310,000
Change in Net Assets of Governmental Activities	<u>\$ 446,081</u>

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	27
NOTE 2.	DEPOSITS AND INVESTMENTS	33
NOTE 3.	CAPITAL ASSETS	34
NOTE 4.	SHORT-TERM DEBT	38
NOTE 5.	LONG-TERM DEBT	38
NOTE 6.	EMPLOYEE RETIREMENT SYSTEM	44
NOTE 7.	INSURANCE	45
NOTE 8.	ACCOUNTS RECEIVABLE (DISCRETELY PRESENTED COMPONENT UNITS)	45
NOTE 9.	PRIOR PERIOD ADJUSTMENT	45
NOTE 10.	SUBSEQUENT EVENT	45

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements of the primary government. However, the combined financial statements of Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation, a discretely presented component unit, and the Taylor County Airport Board, a discretely presented component unit, are prepared on the accrual basis, in accordance with accounting principles generally accepted in the United States of America. The financial information of the discretely presented component units is included in the government-wide statement of net assets and statement of activities.

The State Local Finance Officer does not require the primary government to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Taylor County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government.

Blended Component Units

The following legally separate organizations provided its services exclusively to the primary government, and the fiscal court its able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blended method.

Taylor County Public Properties Corporation

The Taylor County Public Properties Corporation was established for the purpose of financing the construction and installation of public projects in furtherance of the proper public purposes of Taylor County. Since fiscal court has complete authority over this entity this makes it a component unit of the county. The financial information for the Taylor County Public Properties Corporation is blended within Taylor County's financial statements.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Discretely Presented Component Units

The two component unit columns in the government-wide financial statements include the combined data of the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation and the data of the Taylor County Airport Board. They are reported on the Statement of Net Assets and the Statement of Activities in two separate columns that are labeled as "Component Unit" to emphasize these organizations' separateness from the fiscal court's primary government.

Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation

The Taylor County Fiscal Court (Fiscal Court) appoints a voting majority of the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation's (Hospital) governing board. The Hospital is a legally separate entity. The Fiscal Court is able to impose its will on the Hospital's governing body and is entitled to any assets if the Hospital is sold. Financial information for the Hospital is presented discretely within Taylor County's financial statements.

Audited combined financial statements for the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation, a discretely presented component unit, may be requested by contacting the Taylor Regional Hospital, 1700 Old Lebanon Road, Campbellsville, Kentucky 42718.

Taylor County Airport Board

The Taylor County Fiscal Court appoints a voting majority of the Taylor County Airport's (Airport) governing board. The Airport is a legally separate entity. The Fiscal Court is able to impose its will on the Airport's governing body and is entitled to any assets if the Airport is sold. Financial information for the Airport is presented discretely within Taylor County's financial statements.

Audited financial statements for the Taylor County Airport Board, a discretely presented component unit, may be requested by contacting the Taylor County Airport Board, 360 Airport Road, Campbellsville, Kentucky, 42718.

Kentucky law provides for election of the officials below from the geographic area constituting Taylor County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements

The primary government reports the governmental activities using the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid, except for the recognition of depreciation expense on the statement of activities. The discretely presented component units are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when used, regardless of the timing of the cash flows.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Taylor County did not have any business-type activities during the fiscal year.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements. The governmental funds are accounted for on the modified cash basis and focus on the flow of current financial resources. Revenues are recognized when received and expenditures are recognized when paid.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Taylor County Public Properties Corporation Capital Project Fund- This fund accounts for the construction of the Judicial Center. The Taylor County Public Properties Corporation entered into a contract, lease and option with the County and the Administrative Office of the Courts (AOC), Commonwealth of Kentucky.

The Detention Center Capital Projects Fund- This fund accounts for the construction of the Detention Center.

Taylor County Public Properties Corporation Debt Service Fund- This fund accounts for the accumulation of resources for, and the payment of general long-term debt principal and interest for the Judicial Center.

The Detention Center Debt Service Fund- This fund accounts for the accumulation of resources for, and the payment of general long-term debt principal and interest for the Detention Center.

The primary government also has the following non-major funds: Jail Fund, Local Government Economic Assistance Fund, Forest Fire Fund, PRIDE Fund, CDBG Fund, Tebbs Bend Fund, Kentucky Agency on Substance Abuse Prevention Fund, Title V Grant Fund, Kentucky Water Fund and Cemetery Fund. These funds are used to account for the proceeds of specific revenue sources and expenditures that are restricted for specific purposes.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Forest Fire Fund, PRIDE Fund, CDBG Fund, Tebbs Bend Fund, Kentucky Agency on Substance Abuse Prevention Fund, Title V Grant Fund, Kentucky Water Fund, and Cemetery Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Capital Project Funds:

The Taylor County Public Properties Corporation Capital Project Fund and the Detention Center Capital Projects Fund are presented as capital project funds. The Governor's Office for Local Development does not require the fiscal court to report or budget these funds.

Debt Service Funds:

The Taylor County Public Properties Corporation Debt Service Fund and the Detention Center Debt Service Fund are presented as Debt Service Funds. The Governor's Office for Local Development does not require the fiscal court to report or budget these funds.

Presentation of Component Units

The financial statements present the following major discretely presented component units: Combined Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation, and Taylor County Airport Board.

These component units are presented on the Statement of Net Assets and the Statement of Activities in a two separate columns that are labeled as "Component Unit" to emphasize these organizations' separateness from the fiscal court's primary government.

D. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

E. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Capital Assets (Continued)

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

F. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of capital leases and financing obligations are reported.

In the fund financial statements, governmental fund types, the principal amount of the debt and interest is reported as expenditures and debt proceeds are reported as other financing sources.

G. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances (if any) are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation (discretely presented component unit), and the Taylor County Airport Board (discretely presented component unit) Funds are not budgeted by the County Treasurer. The Governor's Office for Local Development does not require the Fiscal Court to report or budget these funds.

I. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, there were no related organizations of Taylor County Fiscal Court.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Taylor County Fiscal Court:

Campbellsville-Taylor County Industrial Development Authority
 Campbellsville-Taylor County Recreation Board.

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based upon these criteria, the following is considered a jointly governed organization of the Taylor County Fiscal Court:

Emergency 911 Board.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 2. Deposits and Investments

Primary Government

A. Deposits

The primary government (County) and component units (Hospital & Airport) maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC), in accordance with KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a depository institution's failure, the County and its' component units may not be returned to it. The county does not have a written deposit policy but rather follows the requirements of KRS 41.240 (4). As of June 30, 2007, the collateral and the FDIC insurance of the County and its' component units together did not equal or exceed the amount on deposit, leaving \$225,000 and \$2,087,445 respectively, exposed to custodial credit risk as follows:

- Primary Government-uninsured and unsecured-\$225,000
- Component Unit-uninsured and unsecured-\$2,087,445

Discretely Presented Component Unit-Taylor County Hospital District/Health Facility Corporation

B. Investments in JHHN Regional Service Center

During fiscal year 2000, the Hospital acquired a 5% interest in JHHN Regional Service Center (the RCS) through a cash payment of \$161,000 and a commitment to transfer inventory with a value of approximately \$172,000 in the future. During fiscal 2001, the Hospital transferred inventory with a book value of approximately \$189,000 and was reimbursed by the RCS for the difference between the actual value of the inventory transferred and the amount committed which amounted to approximately \$12,000. The RCS is a partnership that operates as a regional warehouse and distribution center. The Hospital's investment in the RCS is accounted for on the equity method as it is operated for the mutual benefit of the members of the joint venture. The Hospital purchased supplies from the RCS totaling \$2,613,120 in fiscal year 2007.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 3. Capital Assets

Primary Government capital asset activity for the year ended June 30, 2007 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Primary Government:				
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 2,249,345	\$ 967,796	\$ (200,000)	\$ 3,017,141
Construction In Progress	21,910	2,770,858		2,792,768
Total Capital Assets Not Being Depreciated	2,271,255	3,738,654	(200,000)	5,809,909
Capital Assets, Being Depreciated:				
Buildings	1,923,186			1,923,186
Other Equipment	781,909	31,789	(7,100)	806,598
Vehicles and Equipment	1,271,387	68,100	(105,775)	1,233,712
Infrastructure	954,076	248,428		1,202,504
Total Capital Assets Being Depreciated	4,930,558	348,317	(112,875)	5,166,000
Less Accumulated Depreciation For:				
Buildings	(298,836)	(22,371)		(321,207)
Other Equipment	(299,046)	(40,346)	5,280	(334,112)
Vehicles and Equipment	(695,592)	(73,971)	89,909	(679,654)
Infrastructure	(78,373)	(42,343)		(120,716)
Total Accumulated Depreciation	(1,371,847)	(179,031)	95,189	(1,455,689)
Total Capital Assets, Being Depreciated, Net	3,558,711	169,286	(17,686)	3,710,311
Government Activities Capital Assets, Net	\$ 5,829,966	\$ 3,907,940	\$ (217,686)	\$ 9,520,220

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 49,006
Protection to Persons and Property	19,294
General Health and Sanitation	4,625
Social Services	2,088
Recreation and Culture	3,167
Roads, Including Depreciation of General Infrastructure Assets	90,208
Airport	<u>10,643</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 179,031</u>

Capital asset activity for discretely presented component units (Hospital and Airport) for the year ended June 30, 2007.

Discretely Presented Component Unit					
Taylor County Hospital District/Health Facility Corporation					
(Hospital) (in thousands)					
(in thousands)	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets Not Being Depreciated:					
Land and Improvements	\$ 392	\$ 80	\$ (7)	\$	\$ 465
Construction in Progress	627	4,768		(4,375)	1,020
Total Capital Assets Not Being Depreciated	<u>1,019</u>	<u>4,848</u>	<u>(7)</u>	<u>(4,375)</u>	<u>1,485</u>
Capital Assets, Being Depreciated:					
Buildings	32,917	1,069		3,597	37,583
Equipment	20,513	1,337	(1,107)		20,743
Total Capital Assets Being Depreciated	<u>53,430</u>	<u>2,406</u>	<u>(1,107)</u>	<u>3,597</u>	<u>58,326</u>
Less Accumulated Depreciation For:					
Buildings and Equipment	<u>(26,043)</u>	<u>(3,702)</u>	<u>1,807</u>		<u>(27,938)</u>
Total Accumulated Depreciation	<u>(26,043)</u>	<u>(3,702)</u>	<u>1,807</u>		<u>(27,938)</u>
Total Capital Assets, Being Depreciated, Net	<u>27,387</u>	<u>(1,296)</u>	<u>700</u>	<u>3,597</u>	<u>30,388</u>
Capital Assets, Net	<u>\$ 28,406</u>	<u>\$ 3,552</u>	<u>\$ 693</u>	<u>\$ (778)</u>	<u>\$ 31,873</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 3. Capital Assets (Continued)

	Discretely Presented Component Unit			
	Taylor County Airport Board			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 13,000	\$	\$	\$ 13,000
Construction in Process		402,758		402,758
Total Capital Assets Not Being Depreciated	13,000	402,758		415,758
Capital Assets, Being Depreciated:				
Buildings and improvements	608,931			608,931
Equipment	276,049			276,049
Total Capital Assets Being Depreciated	884,980			884,980
Less Accumulated Depreciation For:				
Buildings and Improvements	(193,446)	(23,656)		(217,102)
Equipment	(247,064)	(6,168)		(253,232)
Total Accumulated Depreciation	(440,510)	(29,824)		(470,334)
Total Capital Assets, Being Depreciated, Net	444,470	(29,824)		414,646
Capital Assets, Net	<u>\$ 457,470</u>	<u>\$ 372,934</u>	<u>\$ 0</u>	<u>\$ 830,404</u>

Depreciation expense was charged to functions of the discretely presented major component units as follows:

Taylor County Hospital District/Health Facility Corporation	\$ 3,701,537
Taylor County Airport Board	<u>29,824</u>
Total Depreciation Expense - Component Units	<u>\$ 3,731,361</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Short-term Debt

A. In October 2006, Taylor County Fiscal Court issued a \$1,310,000 Bond Anticipation Note, Series 2006 for the purpose of constructing a Detention Center. The Bond Anticipation Note was paid in full when the General Obligation Bonds, Series 2007 were issued in February 2007.

B. Changes in Short-term Liabilities

Short-term activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Bond Anticipation Note	\$ 0	\$ 1,310,000	\$ 1,310,000	\$ 0
Governmental Activities				
Short-term Liabilities	<u>\$ 0</u>	<u>\$ 1,310,000</u>	<u>\$ 1,310,000</u>	<u>\$ 0</u>

Note 5. Long-term Debt

Primary Government

A. Fire Truck

On April 4, 2001, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a fire truck. The principal was \$215,138 at a variable percent interest rate for a period of 10 years, interest and principal paid monthly. Principal outstanding as of June 30, 2007 was \$97,138. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	23,000	4,370
2009	24,000	3,202
2010	25,000	1,983
2011	25,138	731
Totals	<u>\$ 97,138</u>	<u>\$ 10,286</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 5. Long-term Debt (Continued)

Primary Government (Continued)

B. Land Acquisition

On June 16, 2003, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of land. The principal was \$175,000 at a fixed 3.08 percent interest rate for a period of 10 years; principal is paid annually on January 20th with interest paid monthly. Principal outstanding as of June 30, 2007 was \$111,000. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	17,000	4,026
2009	18,000	3,341
2010	18,000	2,651
2011	19,000	1,939
2012	19,000	1,206
2013	20,000	454
Totals	<u>\$ 111,000</u>	<u>\$ 13,617</u>

C. Dump Truck

On October 9, 2003, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a dump truck. The principal was \$67,917 at a fixed 2.97 percent interest rate for a period of 5 years; principal is paid annually on January 20th with interest paid monthly. Principal outstanding as of June 30, 2007 was \$14,348. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	14,348	317
Totals	<u>\$ 14,348</u>	<u>\$ 317</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 5. Long-term Debt (Continued)

Primary Government (Continued)

D. E911 Upgrade

On March 23, 2004, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of an E911 upgrade. The principal was \$61,949 at a variable interest rate for a period of 15 years; principal and interest is paid monthly. Principal outstanding as of June 30, 2007 was \$51,092. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	3,649	2,495
2009	3,761	2,307
2010	3,875	2,117
2011	3,994	1,919
2012	4,116	1,718
2013-2017	22,544	5,323
2018-2019	9,153	479
Totals	<u>\$ 51,092</u>	<u>\$ 16,358</u>

E. Animal Shelter Vehicle

On July 9, 2004, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of an animal shelter vehicle. The principal was \$21,000 at a variable interest rate for a period of 5 years, principal and interest is paid monthly. Principal outstanding as of June 30, 2007 was \$9,126. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	4,311	365
2009	4,440	146
2010	375	3
Totals	<u>\$ 9,126</u>	<u>\$ 514</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 5. Long-term Debt (Continued)

Primary Government (Continued)

F. Dump Truck

On November 24, 2004, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a dump truck. The principal was \$72,220 at a variable interest rate for a period of 6.5 years; principal is paid annually on July 20th with interest paid monthly. Principal outstanding as of June 30, 2007 was \$52,220. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	10,000	2,195
2009	10,000	1,689
2010	10,000	1,186
2011	10,000	681
2012	12,220	54
Totals	<u>\$ 52,220</u>	<u>\$ 5,805</u>

G. Jail Vehicle

On April 19, 2007, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a van for the Jail. The principal was \$19,650 at a interest rate Of 4.25% for a period of 5 years; principal is paid annually on January 20th with interest paid monthly. Principal outstanding as of June 30, 2007 was \$15,650. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	4,000	842
2009	4,000	712
2010	4,000	509
2011	3,650	228
Totals	<u>\$ 15,650</u>	<u>\$ 2,291</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 5. Long-term Debt (Continued)

Primary Government (Continued)

H. Bond Anticipation Note, Series 2006

On June 29, 2006, Taylor County Public Courthouse Corporation issued a \$7,740,000 Bond Anticipation Note, Series 2006 for the purpose of constructing a Judicial Center. The Bond Anticipation Note has a maturity date of September 1, 2008. They were paid in full when the First Mortgage Revenue Bonds (Justice Center Project), Series 2007 were issued in September 2007. Bond Anticipation Note outstanding as of June 30, 2007 was \$7,740,000. Future principal and interest payments are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	7,740,000	252,317
Totals	<u>\$ 7,740,000</u>	<u>\$ 252,317</u>

I. General Obligation Bonds, Series 2007

On February 20, 2007, Taylor County fiscal Court issued \$11,000,000 General Obligation Bonds, Series 2006 for the purpose of constructing a Detention Center. The bonds mature serially through September 1, 2033 and require annual principal payments due on September 1 with the first payment due September 1, 2008. Semi-annual payments of interest at a variable interest rate between 3.5% and 4.25% are due on March 1 and September 1 of each year with the first payment due March 1, 2007. Bonds outstanding as of June 30, 2007 were \$11,000,000. Future principal and interest payments are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008		480,208
2009	265,000	461,333
2010	270,000	451,970
2011	280,000	442,345
2012	290,000	432,225
2013-2017	1,635,000	1,986,611
2018-2022	1,985,000	1,629,579
2023-2027	2,465,000	1,155,475
2028-2032	3,100,000	518,303
2033-2034	710,000	15,974
Totals	<u>\$ 11,000,000</u>	<u>\$ 7,574,023</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 5. Long-term Debt (Continued)

Primary Government (Continued)

J. Changes in Long-Term Debt - Primary Government

	Beginning			Ending	Due Within
	Balance	Additions	Reductions	Balance	One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$	\$ 11,000,000	\$	\$ 11,000,000	\$
Bond Anticipation Note		7,740,000		7,740,000	
Financing Obligations	1,410,448		1,059,874	350,574	76,308
Governmental Activities					
Long-term Liabilities	<u>\$ 1,410,448</u>	<u>\$ 18,740,000</u>	<u>\$ 1,059,874</u>	<u>\$ 19,090,574</u>	<u>\$ 76,308</u>

K. Interest Included In Debt Service

Debt Service on the Statement of Activities includes the following: \$49,746 interest paid for other financing obligations, \$273,757 interest paid on the Bond Anticipation Notes, and \$223,736 accrued interest paid on the General Obligation Bonds.

Discretely Presented Component Units:

L. Taylor County Hospital District/Health Facility Corporation - Note Payable and Capital Lease

In November 2002, the Taylor County Hospital District/Health Facility Corporation (Hospital) entered into a Loan Agreement with Taylor County Fiscal Court (Issuer) and Community Trust Bank (Lender), to borrow an amount not to exceed \$10,000,000. The draws on the loan have been and will continue to be used for the construction of a Hospital expansion, which includes an ER renovation, an ICU addition, a wing two and three addition, a central plant addition, and a helipad relocation. The amount drawn on the loan equaled \$10,000,000 with interest rates ranging from 3.018 percent to 5.05 percent. Total monthly payments are calculated each December for a year to ensure the loan is paid off by November 2022. Interest only payments are required until November 30, 2004; at which point principal payments began being paid and will continue through November 15, 2022. Interest expense on the note payable totaled \$387,617 for fiscal year 2007. The Hospital is required to maintain a debt coverage ratio of 1.25:1.00. Note payable outstanding for the Hospital as of June 30, 2007, was \$10,140,114.

The Hospital's outstanding capital leases as of June 30, 2007 were \$0.

Principal payments on all Hospital long-term debt for the next five years and thereafter are as follows:

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 5. Long-term Debt (Continued)

Discretely Presented Component Units (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	610,066	465,865
2009	636,640	456,897
2010	668,027	425,509
2011	700,970	392,567
2012	609,630	359,165
2013-2017	2,858,041	1,381,050
2018-2022	3,677,035	562,057
2023	279,705	2,949
Totals	<u>\$ 10,040,114</u>	<u>\$ 4,046,059</u>

M. Changes in Long-Term Debt - Discretely Presented Component Units

Hospital	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Loan Agreement	\$ 9,426,606	\$	\$ 387,028	\$ 9,039,578	\$ 404,011
Note Payable		1,100,000	99,464	1,000,536	206,055
Capital Lease	4,993		4,993		
Governmental Activities					
Long-term Liabilities	<u>\$ 9,431,599</u>	<u>\$ 1,100,000</u>	<u>\$ 491,485</u>	<u>\$ 10,040,114</u>	<u>\$ 610,066</u>

Note 6. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 6. Employee Retirement System (Continued)

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement System's annual financial report. This report may be obtained by writing the Kentucky Retirements System, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Insurance

For the fiscal year ended June 30, 2007, Taylor County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Accounts Receivable (Discretely Presented Component Units)

A. Taylor County Hospital District/Health Facility Corporation

The Hospital provides services on account without collateral from its patients, most of whom are local residents. The mix of receivables from patients and third party payers at June 30, 2007 was as follows:

Medicare	41%
Medicaid	14%
Anthem/Blue Cross	9%
Private Pay	16%
Other	<u>20%</u>
Total	<u><u>100%</u></u>

B. Taylor County Airport Board

The entity extends short-term credit to its established customers as a convenience. Based on management's review of accounts receivable, no allowance for doubtful accounts is considered necessary.

Note 9. Prior Period Adjustment

The Taylor County Airport Board, a component unit of Taylor County Fiscal Court, had a prior period adjustment of \$5,156 to correct an error in the reporting of insurance expense. The Beginning Net Assets of the Taylor County Airport Board increased by \$5,156 on the Statement of Activities because of this adjustment.

Note 10. Subsequent Event

The Taylor County Public Courthouse Corporation issued first Mortgage Revenue Bonds (Justice Center Project) on September 12, 2007 in the amount of \$14,970,000 to finance the construction of the Judicial Center.

TAYLOR COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007

TAYLOR COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2007

GENERAL FUND				
	<u>Budgeted Amounts</u>		<u>Actual Amounts, (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 3,765,000	\$ 4,039,423	\$ 4,098,229	\$ 58,806
In Lieu Tax Payments	28,000	28,000	23,670	(4,330)
Excess Fees	91,946	105,676	105,676	
Licenses and Permits	95,000	96,758	105,301	8,543
Intergovernmental Revenue	167,825	190,181	167,927	(22,254)
Charges for Services	28,000	28,000	34,801	6,801
Miscellaneous	803,400	875,753	75,990	(799,763)
Interest	13,000	24,654	31,746	7,092
Total Revenues	<u>4,992,171</u>	<u>5,388,445</u>	<u>4,643,340</u>	<u>(745,105)</u>
EXPENDITURES				
General Government	1,187,161	1,220,932	1,071,659	149,273
Protection to Persons and Property	447,537	447,864	417,948	29,916
General Health and Sanitation	344,124	354,994	300,166	54,828
Social Services	15,500	16,518	12,200	4,318
Recreation and Culture	143,461	143,840	133,386	10,454
Airports	64,661	64,779	64,779	
Administration	2,681,100	3,049,079	1,822,040	1,227,039
Total Expenditures	<u>4,883,544</u>	<u>5,298,006</u>	<u>3,822,178</u>	<u>1,475,828</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>108,627</u>	<u>90,439</u>	<u>821,162</u>	<u>730,723</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			200,000	200,000
Transfers To Other Funds	(944,599)	(944,599)	(1,108,449)	(163,850)
Total Other Financing Sources (Uses)	<u>(944,599)</u>	<u>(944,599)</u>	<u>(908,449)</u>	<u>36,150</u>
Net Changes in Fund Balance	(835,972)	(854,160)	(87,287)	766,873
Fund Balance - Beginning	<u>835,972</u>	<u>854,160</u>	<u>954,935</u>	<u>100,775</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 867,648</u>	<u>\$ 867,648</u>

TAYLOR COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

ROAD FUND				
	<u>Budgeted Amounts</u>		<u>Actual Amounts, (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental Revenue	\$ 1,287,146	\$ 1,369,544	\$ 1,362,219	\$ (7,325)
Charges for Services	157,500	157,500	133,200	(24,300)
Miscellaneous	2,000	2,000	540	(1,460)
Interest	8,000	13,937	15,655	1,718
Total Revenues	<u>1,454,646</u>	<u>1,542,981</u>	<u>1,511,614</u>	<u>(31,367)</u>
EXPENDITURES				
General Government	14,900	14,900	14,795	105
General Health and Sanitation	26,000	26,000	22,521	3,479
Transportation Facilities and Services	30,000	30,000	28,773	1,227
Roads	1,151,646	1,251,894	1,152,701	99,193
Administration	232,100	220,187	176,704	43,483
Total Expenditures	<u>1,454,646</u>	<u>1,542,981</u>	<u>1,395,494</u>	<u>147,487</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)			<u>116,120</u>	<u>116,120</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			200,000	200,000
Transfers To Other Funds			<u>(200,000)</u>	<u>(200,000)</u>
Total Other Financing Sources (Uses)				
Net Changes in Fund Balance			116,120	116,120
Fund Balance - Beginning			<u>1,332</u>	<u>1,332</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 117,452</u>	<u>\$ 117,452</u>

TAYLOR COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2007

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**TAYLOR COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2007

TAYLOR COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2007

	Jail Fund	Local Government Economic Assistance Fund	Forest Fire Fund
ASSETS			
Cash and Cash Equivalents	\$ 417,325	\$ 6,447	\$ 1,125
Total Assets	<u>\$ 417,325</u>	<u>\$ 6,447</u>	<u>\$ 1,125</u>
FUND BALANCES			
Unreserved:			
Special Revenue Funds	\$ 417,325	\$ 6,447	\$ 1,125
Total Fund Balances	<u>\$ 417,325</u>	<u>\$ 6,447</u>	<u>\$ 1,125</u>

The accompanying notes are an integral part of the financial statements.

TAYLOR COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2007
(Continued)

Pride Fund	Kentucky Agency On Substance Abuse Prevention Fund	Cemetery Fund	Total Non-Major Governmental Funds
<u>\$ 7,803</u>	<u>\$ 19,363</u>	<u>\$ 20,000</u>	<u>\$ 472,063</u>
<u><u>\$ 7,803</u></u>	<u><u>\$ 19,363</u></u>	<u><u>\$ 20,000</u></u>	<u><u>\$ 472,063</u></u>
<u>\$ 7,803</u>	<u>\$ 19,363</u>	<u>\$ 20,000</u>	<u>\$ 472,063</u>
<u><u>\$ 7,803</u></u>	<u><u>\$ 19,363</u></u>	<u><u>\$ 20,000</u></u>	<u><u>\$ 472,063</u></u>

The accompanying notes are an integral part of the financial statements.

TAYLOR COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2007

TAYLOR COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2007

	Jail Fund	Local Government Economic Assistance Fund	CDBG Fund	Forest Fire Fund	PRIDE Fund
REVENUES					
Taxes	\$	\$	\$	\$ 980	\$
Intergovernmental	141,747	1,172	30,782		16,957
Interest	4,435	189		3	
Total Revenues	146,182	1,361	30,782	983	16,957
EXPENDITURES					
Protection to Persons and Property	820,052	2,866			
General Health and Sanitation					9,154
Social Services					
Recreation and Culture			30,782		
Debt Service	35,918				
Capital Projects	66,908				
Administration	13,774				
Total Expenditures	936,652	2,866	30,782		9,154
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(790,470)	(1,505)		983	7,803
OTHER FINANCING SOURCES (USES)					
Land Sale Proceeds	325,000				
Transfers To Other Funds	(90,000)				
Transfers From Other Funds	931,977				
Total Other Financing Sources (Uses)	1,166,977				
Net Change in Fund Balances	376,507	(1,505)		983	7,803
Fund Balances - Beginning	40,818	7,952		142	
Fund Balances - Ending	\$ 417,325	\$ 6,447	\$ 0	\$ 1,125	\$ 7,803

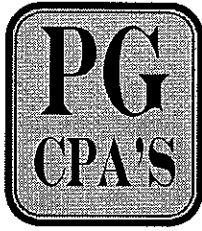
The accompanying notes are an integral part of the financial statements.

TAYLOR COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2007
(Continued)

Tebbs Bend Fund	Kentucky Agency On Substance Abuse Prevention Fund	Title V Grant Fund	Cemetery Fund	Kentucky Water Fund	Total Non-Major Governmental Funds
\$	\$	\$	\$	\$	\$
	18,000		20,153	449,641	980
					678,452
					4,627
	18,000		20,153	449,641	684,059
		6,955			829,873
					9,154
2,020	32,449		14,303		48,772
					30,782
					35,918
				449,641	516,549
					13,774
2,020	32,449	6,955	14,303	449,641	1,484,822
(2,020)	(14,449)	(6,955)	5,850		(800,763)
					325,000
					(90,000)
					931,977
					1,166,977
(2,020)	(14,449)	(6,955)	5,850		366,214
2,020	33,812	6,955	14,150		105,849
\$ 0	\$ 19,363	\$ 0	\$ 20,000	\$ 0	\$ 472,063

The accompanying notes are an integral part of the financial statements.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



PEERCY AND GRAY, PSC

Certified Public Accountants

2300 Hurstbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

The Honorable Paul W. Patton, Former Taylor County Judge/Executive
The Honorable Eddie Rogers, Taylor County Judge/Executive
Members of the Taylor County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Taylor County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 5, 2008, wherein we issued a qualified opinion on the aggregate discretely presented component units and referred to the work of others auditors. Taylor County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Taylor County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Taylor County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Taylor County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

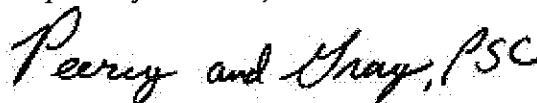
As part of obtaining reasonable assurance about whether Taylor County's financial statements for the year ended June 30, 2007, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- Taylor County Fiscal Court Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

The Taylor County Judge/Executive's response to the findings identified in our audit is included in the accompanying comment and recommendation. We did not audit the County Judge/Executive's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Percy and Gray, PSC
Certified Public Accountants

February 5, 2008

**TAYLOR COUNTY
COMMENT AND RECOMMENDATION**

For the Year Ended June 30, 2007

**TAYLOR COUNTY
COMMENT AND RECOMMENDATION**

Fiscal Year Ended June 30, 2007

SUMMARY CURRENT YEAR AUDIT FINDINGS:

Taylor County Fiscal Court Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

On June 30, 2007, \$225,000 of the County's deposits of public funds were uninsured and unsecured with one depository institution. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). We recommend the County require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the County enter into written agreements with all of the depository institutions to secure the County's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution

Judge Rogers Response: I personally thought because it was a CD it was secure. Since this has been brought to my attention, in the future all CD's will have a pledge of securities agreement.

PRIOR YEAR AUDIT FINDINGS:

None

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

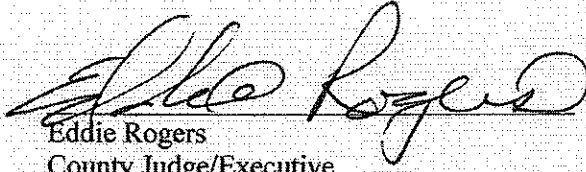
TAYLOR COUNTY FISCAL COURT

**For The Year Ended
June 30, 2007**

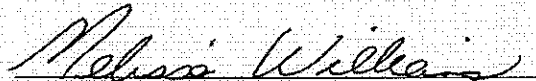
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
TAYLOR COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2007

The Taylor County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Eddie Rogers
County Judge/Executive



Melissa Williams
County Treasurer